

SANILAC INTERMEDIATE SCHOOL DISTRICT

SANDUSKY, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management's Discussion and Analysis	II - IX
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Notes to the Financial Statements	6 – 16
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	17
Special Education Fund	18
Vocational Education Fund	19
Other Supplemental Information	
Combining Balance Sheet – Other Governmental Funds	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	21

TABLE OF CONTENTS

	<u>PAGE</u>
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	22
Schedule 2 - General Fund - Schedule of Expenditures	23 – 24
Schedule 3 – Special Education Fund - Schedule of Revenues	25
Schedule 4 – Special Education Fund - Schedule of Expenditures	26 – 27
Schedule 5 – Vocational Education Fund - Schedule of Revenues	28
Schedule 6 – Vocational Education Fund - Schedule of Expenditures	29 – 30
Other Supplemental Schedules:	
Schedule 7 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	31
Schedule 8 - Schedule of Bond Principal and Interest Requirements	32 - 33



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 11, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Sanilac Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sanilac Intermediate School District' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated August 11, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - IX and 17 - 19 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanilac Intermediate School District' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Sanilac Intermediate School District, located in Sanilac County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Sanilac Intermediate School District's administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Vocational Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Sanilac Intermediate School District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services. Property taxes, unrestricted State aid, and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets	\$2,601,492	\$2,316,067
Non-Current Assets	<u>3,925,084</u>	<u>4,492,040</u>
<u>TOTAL ASSETS</u>	<u><u>\$6,526,576</u></u>	<u><u>\$6,808,107</u></u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,116,242	\$1,095,037
Long-Term Liabilities	<u>1,963,746</u>	<u>2,102,588</u>
Total Liabilities	\$3,079,988	\$3,197,625
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,795,005	2,248,682
Restricted for Debt Service	106,121	81,677
Restricted for Capital Projects	242,235	271,959
Unrestricted	<u>1,303,227</u>	<u>1,008,164</u>
Total Net Assets	<u><u>\$3,446,588</u></u>	<u><u>\$3,610,482</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$6,526,576</u></u>	<u><u>\$6,808,107</u></u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2004 and 2003, the District wide results of operations were:

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$236,966	\$231,733
Property Taxes Levied for Special Education Operations	853,464	834,615
Property Taxes Levied for Vocational Education Operations	1,897,015	1,855,118
Property Taxes Levied for Debt Service	223,480	218,144
State of Michigan Unrestricted Foundation Aid	621,157	643,064
Other General Revenues	<u>788,280</u>	<u>228,749</u>
Total General Revenues	\$4,620,362	\$4,011,423
<u>Operating Grants:</u>		
Federal	2,429,234	2,478,385
State of Michigan	1,273,334	1,787,148
Other Grants	<u>271,526</u>	<u>408,209</u>
Total Operating Grants	\$3,974,094	\$4,673,742
<u>Charges for Services:</u>		
General Fund	249,885	176,668
Special Education Fund	219,850	224,162
Vocational Education Fund	<u>513,183</u>	<u>432,917</u>
Total Charges for Services	<u>\$982,918</u>	<u>\$833,747</u>
Total Revenues	\$9,577,374	\$9,518,912
<u>EXPENSES</u>		
Instruction & Instructional Support	3,093,311	3,026,842
Support Services	6,056,518	5,670,839
Community Services	426,004	23,061
Interest on Long-Term Debt	45,752	79,281
Depreciation	<u>119,683</u>	<u>72,207</u>
Total Expenses	<u>\$9,741,268</u>	<u>\$8,872,230</u>
<u>INCREASE IN NET ASSETS</u>	(\$163,894)	\$646,682
<u>BEGINNING NET ASSETS</u>	<u>3,610,482</u>	<u>2,963,800</u>
<u>ENDING NET ASSETS</u>	<u><u>\$3,446,588</u></u>	<u><u>\$3,610,482</u></u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets decreased by \$163,894 to a total of \$3,446,588. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$453,677 during the year due to depreciation exceeding purchases of new capital assets and principal payments on related debt. The districts Unrestricted Net Assets increased by \$295,063 during the year and the restricted portion of the net assets decreased by \$5,280. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenses exceeded its revenues for the year by \$163,894. The total revenues increased by \$58,462. The major change was a increase in fire insurance proceeds and federal project allocations increased. Major changes were the addition of the Great Parents, Great Start grant, the fire in Engineering & Design, ABC in Science, and maintenance, increases in federal flowthrough to the LEA's and expensing of capital outlay items under the District's capitalization threshold from the capital projects funds.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$69,304 during the year with the increase coming primarily from a reduction in cash. Revenues for the year decreased by \$384,348 primarily from the reduction in Math/Science funding (Section 99.1) and a 2.76% reduction in categorical sections 57.1, 57.3, 81 and the Technology Literacy Grant funding. Expenditures and other financing uses decreased by \$324,286, primarily due to the completion of the Technology Literacy Grant-federal funds used for fiber project. The major source of general fund revenues is state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 81)

The State of Michigan aid provided under Section 81 of the State Aid Act provides the majority of state aid to the District's General Fund. Funding to the District under Section 81 is provided to comply with the requirements of the State Aid Act and to provide technical assistance to local districts as authorized by the intermediate school board. Funding under Section 81 was \$703,866 for the fiscal year a decrease of \$30,904 from the previous year.

2. Property Taxes Levied For General Operations (General Fund Homestead and Non-Homestead Taxes)

The District levies .2081 mills of property taxes for operations (General Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2003-2004 fiscal year was \$236,966. An increase of \$5,233 from the prior year.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

Special Education Fund

Unreserved fund balance for the special education fund decreased by \$89,500 during the year with the increase coming primarily from a decrease in cash. Revenues for the year increased by \$374,591 primarily from an increase in federal fund allocations. Expenditures and other financing uses increased by \$633,753, primarily salary and benefit increases and the receipt of additional federal revenues that were passed through to the LEA's. The major source of special education revenues is federal grants, state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 51)

The State of Michigan aid provided under Section 51 of the State Aid Act provides the majority of state aid to the District's Special Education Fund. Funding to the District under Section 51 is provided to reimburse the District for unreimbursed costs of special education programs, services and special education personnel. Funding under Section 51 was \$687,704 for the fiscal year a decrease of \$39,161 from the previous year.

2. Property Taxes Levied For Special Education

The District levies .7492 mills of property taxes for operations (Special Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2003-2004 fiscal year was \$853,464. An increase of \$18,849 from the prior year.

Vocational Education Fund

Unreserved fund balance for the vocational education fund increased by \$302,158 during the year with the decrease coming primarily from an increase in cash. Revenues for the year decreased by \$80,132 primarily due to the elimination of Career Prep funding, 2.76% reductions in state aid sections 61A.1, 61A.2, 62 and 81 and the one time School Renovation grant. Expenditures and other financing uses decreased by \$448,341 primarily due to closing of the electronics program, renovation grant, and elimination of Career Prep funding. The major source of vocational education revenues is taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Sections 61 and 62)

The State of Michigan aid provided under Sections 61 and 62 of the State Aid Act provides the majority of state aid to the District's Vocational Education Fund. Funding to the District under Sections 61 and 62 is provided to reimburse, on an added cost basis, the District for unreimbursed costs of its vocational-technical education center and vocational-technical programs and services. Funding under Sections 61 and 62 was \$349,538 for the fiscal year an increase of \$3,482 from the previous year.

2. Property Taxes Levied For Vocational Education

The District levies 1.6654 mills of property taxes for operations (Vocational Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$1,897,015. An increase of \$41,897 from the prior year.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

Capital Projects Fund

The districts capital projects fund balance decreased by \$29,724. Investment earnings are the primary sources of revenue in the fund and they decreased by \$6,098 from the previous year. Expenditures decreased by \$256,847 from the prior year.

Debt Retirement Fund

The districts debt retirement fund balance increased by \$24,444. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$200,871 in paying the required interest and principal payments of the school's bonded debt.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$1,388,729	\$1,723,300	\$1,791,614	19.41	3.96
Expenditures	1,503,933	1,784,900	1,722,310	15.74	3.51
<u>TOTAL</u>	<u>(\$115,204)</u>	<u>(\$61,600)</u>	<u>\$69,304</u>		

SPECIAL EDUCATION FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$3,812,795	\$3,890,614	\$3,870,756	2.00	(0.51)
Expenditures	3,777,374	3,990,500	3,960,256	5.34	0.76
<u>TOTAL</u>	<u>\$35,421</u>	<u>(\$99,886)</u>	<u>(\$89,500)</u>		

VOCATIONAL EDUCATION FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$3,441,202	\$3,676,697	\$3,851,239	6.41	4.75
Expenditures	3,481,720	3,590,232	3,549,081	3.02	1.15
<u>TOTAL</u>	<u>(\$40,518)</u>	<u>\$86,465</u>	<u>\$302,158</u>		

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Sanilac Intermediate School District amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. Significant budget variations were as follows:.

Original Budget vs. Final Budget

General Fund

Revenues: Professional Development generated more than originally anticipated. Math/Science funding was instituted at a 25% funding level, the District had originally proposed elimination of the program. Insurance proceeds from a fire at the Sanilac Career Center were not anticipated in the original budget. The District was awarded state aid for Great Parents, Great Start to support the Governor's preschool incentive.

Expenditures: The ABC in Science facility burnt resulting in replacement of ABC in Science Kit materials. The approved Great Parents, Great Start initiative wasn't included in the original budget.

Special Education Fund

Revenues: Funding for the Medicaid-School Based Services decreased based upon actual receipts. Federal funding in the IDEA program substantially increased from original estimates.

Expenditures: Increased expenditures due to additional pass-throughs of federal grant funds to the LEA's.

Vocational Education Fund

Revenues: The District sold the construction trades house that was constructed in the previous year. Carry over funds from the Career Preparation program weren't included in the original budget. A fire destroyed the Engineering & Design classroom on February 13, 2004. The District had no way of anticipating such a loss and the subsequent receipt of fire proceeds.

Expenditures: Additional materials and equipment were purchased to replace items destroyed as a result of the fire on 2-13-2004.

Actual Results vs. Final Budget

General Fund

Revenues and Expenditures: No significant variations.

Special Education Fund

Revenues and Expenditures: No significant variations.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budget (Continued)

Vocational Education Fund

Revenues: Significant variances in actual results versus budget were due to insurance proceeds from the fire at the Career Tech Center.

Expenditures: No significant variations.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-03	Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
Bonds Payable	\$2,243,358	\$0	\$196,803	\$2,046,555
Contracts Payable	0	97,990	14,466	83,524
Unpaid Sick & Vacation Payable	56,033	0	2,982	53,051
<u>Total Long-Term Obligations</u>	<u>\$2,299,391</u>	<u>\$97,990</u>	<u>\$214,251</u>	<u>\$2,183,130</u>

Increased to debt for the fiscal year included loans for a new school bus and pickup truck.

B. Capital Assets

The district's net investment in capital assets decreased by \$248,605 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$7,354,753	\$157,992	\$273,847	\$7,238,898
Less: Accumulated Depreciation	(3,181,064)	(278,802)	(146,052)	(3,313,814)
<u>Net Investment Capital Outlay</u>	<u>\$4,173,689</u>	<u>(\$120,810)</u>	<u>\$127,795</u>	<u>\$3,925,084</u>

Significant capital asset additions were the purchase of a bus, a pickup truck and technology equipment. The significant deductions in fixed assets were assets taken out of service due to fire at the Sanilac Career Center.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Sanilac Intermediate School District.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$1,592,064	\$1,603,890
Accounts Receivable	427,205	62,069
Interest Receivable	2,202	2,614
Due from Other Governmental Units	527,686	594,453
Inventory	35,878	35,040
Prepaid Expenses	16,457	18,001
Total Current Assets	<u>\$2,601,492</u>	<u>\$2,316,067</u>
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	0	318,351
Capital Assets	7,238,898	7,354,753
Less: Accumulated Depreciation	<u>(3,313,814)</u>	<u>(3,181,064)</u>
Total Noncurrent Assets	<u>\$3,925,084</u>	<u>\$4,492,040</u>
<u>TOTAL ASSETS</u>	<u>\$6,526,576</u>	<u>\$6,808,107</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	308,899	384,282
Salaries Payable	310,121	358,790
Accrued Expenses	201,798	127,500
Deferred Revenue	76,040	27,662
Current Portion of Long-Term Obligations	219,384	196,803
Total Current Liabilities	<u>\$1,116,242</u>	<u>\$1,095,037</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>1,963,746</u>	<u>2,102,588</u>
<u>TOTAL LIABILITIES</u>	<u>\$3,079,988</u>	<u>\$3,197,625</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,795,005	2,248,682
Restricted for:		
Reserved for Debt Retirement	106,121	81,677
Reserved for Capital Projects	242,235	271,959
Unrestricted	<u>1,303,227</u>	<u>1,008,164</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$3,446,588</u></u>	<u><u>\$3,610,482</u></u>

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENTS OF ACTIVITIES
JUNE 30, 2004 AND 2003

FUNCTIONS/PROGRAMS	2004			2003
	Expenses	Program Revenues		Net (Expense)
		Charges For	Operating	Revenue &
		Services	Grants and	Change in
			Contributions	Net Assets
Governmental Activities:				Net (Expense)
Instruction	\$3,093,311	\$0	\$1,122,095	Revenue &
Support Services	6,056,518	982,918	2,835,999	Change in
Community Services	426,004	0	16,000	Net Assets
Interest - Long-Term Obligations	45,752	0	0	
Depreciation - Unallocated	119,683	0	0	
TOTALS	\$9,741,268	\$982,918	\$3,974,094	(\$4,784,256)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,210,925
State Aid				621,157
Grants and Contributions Not Restricted to				
Specific Programs				2,676
Investment Earnings				31,814
Miscellaneous				753,790
Total General Revenues and Transfers				\$4,620,362
Change in Net Assets				(\$163,894)
Net Assets - Beginning - As Restated				3,610,482
<u>Net Assets - Ending</u>				<u>\$3,446,588</u>

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Special	Vocational
	Fund	Education	Education
	Fund	Fund	Fund
<u>ASSETS</u>			
Cash and Cash Equivalents	\$153,960	\$627,191	\$464,550
Accounts Receivable	160,819	20,944	245,442
Interest Receivable	0	0	0
Due from Other Governmental Units	130,780	257,263	139,643
Inventory	0	0	35,878
Prepaid Expenses	4,570	2,577	9,310
<u>TOTAL ASSETS</u>	<u>\$450,129</u>	<u>\$907,975</u>	<u>\$894,823</u>
<u>LIABILITIES</u>			
Accounts Payable	\$82,630	\$147,452	\$78,608
Salaries Payable	14,962	155,253	139,906
Accrued Expenses	8,171	116,225	69,055
Deferred Revenue	63,409	10,759	1,872
Total Liabilities	\$169,172	\$429,689	\$289,441
<u>FUND BALANCES</u>			
Reserved For:			
Reserved for Prepaid Expenses	4,570	2,577	9,310
Reserved for Inventory	0	0	35,878
Reserved for Debt Retirement	0	0	0
Reserved for Capital Projects	0	0	0
Unreserved:			
Undesignated, Reported In:			
General Fund	276,387	0	0
Special Education Fund	0	475,709	0
Vocational Education Fund	0	0	560,194
Total Fund Balances	\$280,957	\$478,286	\$605,382
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$450,129</u>	<u>\$907,975</u>	<u>\$894,823</u>

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Other Governmental Funds	Total Governmental Funds		
\$346,363	\$1,592,064	Total Governmental Fund Balances:	\$1,712,981
0	427,205	Amounts reported for governmental activities in the statement of net assets are different because:	
2,202	2,202	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$7,238,898 and the accumulated depreciation is \$3,313,814	3,925,084
0	527,686		
0	35,878		
0	16,457		
<u>\$348,565</u>	<u>\$2,601,492</u>	Accrued Interest on Long-Term Debt	(8,347)
		Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
\$209	\$308,899	Bonds Payable	\$2,046,555
0	310,121	Contracts Payable	83,524
0	193,451	Sick and Vacation Pay	<u>53,051</u>
0	76,040	Total Long-Term Liabilities	<u>(2,183,130)</u>
<u>\$209</u>	<u>\$888,511</u>		
0	16,457	<u>TOTAL NET ASSETS -</u>	
0	35,878	<u>GOVERNMENTAL ACTIVITIES</u>	<u>\$3,446,588</u>
106,121	106,121		
242,235	242,235		
0	276,387		
0	475,709		
0	560,194		
<u>\$348,356</u>	<u>\$1,712,981</u>		
<u>\$348,565</u>	<u>\$2,601,492</u>		

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Special	Vocational
	Fund	Education	Education
	Fund	Fund	Fund
<u>REVENUES</u>			
Local Sources	\$266,307	\$1,119,240	\$2,216,188
State Sources	721,361	813,986	358,959
Federal Sources	42,362	1,717,680	679,782
Total Revenues	\$1,030,030	\$3,650,906	\$3,254,929
<u>EXPENDITURES</u>			
Current:			
Instruction	175,187	1,119,629	1,671,408
Student Services	0	682,397	68,217
Instructional Support	388,033	698,409	93,076
General Administration	406,930	5,480	2,266
School Administration	0	155,966	533,124
Business Administration	1,682	1,846	8,004
Operation & Maintenance of Plant	9,203	86,793	380,093
Transportation	0	278,387	0
Support Services - Other	310,319	2,517	28,192
Community Services	240,545	25,214	160,245
Debt Service	0	0	0
Capital Outlay	0	0	0
Total Expenditures	\$1,531,899	\$3,056,638	\$2,944,625
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$501,869)	\$594,268	\$310,304
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	173,596	(131,613)	(55,032)
Other Transfers	397,577	(552,155)	46,886
Total Other Financing Sources (Uses)	\$571,173	(\$683,768)	(\$8,146)
Net Change in Fund Balance	\$69,304	(\$89,500)	\$302,158
<u>FUND BALANCE - BEGINNING</u>	211,653	567,786	303,224
<u>FUND BALANCE - ENDING</u>	\$280,957	\$478,286	\$605,382

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Other Governmental Funds	Total Governmental Funds		
\$237,176	\$3,838,911	Total net change in fund balances - governmental funds	\$276,682
185	1,894,491	Amounts reported for governmental activities in the statement of	
0	2,439,824	activities are different because:	
\$237,361	\$8,173,226	Governmental funds report capital outlays as expenditures. However,	
		in the statement of activities, the cost of those assets is allocated	
		over their estimated useful lives as depreciation expense. This is	
		the amount by which capital outlay exceeded depreciation in the	
		current period.	(248,605)
0	2,966,224	Construction in Progress	(318,351)
0	750,614		
0	1,179,518	Repayment of bond principal is an expenditure in the governmental	
0	414,676	funds, but the repayment reduces long-term liabilities in the statement	
0	689,090	of net assets. This is the amount of repayments reported as	
0	11,532	expenditures in the governmental funds.	211,269
0	476,089		
0	278,387	Loan Proceeds	(97,990)
0	341,028		
0	426,004	Change in accrued interest on long-term liabilities	10,119
200,871	200,871		
54,819	54,819	Decrease in accrued compensated absences	2,982
\$255,690	\$7,788,852		
		<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>(\$163,894)</u>
(\$18,329)	\$384,374		
13,049	0		
0	(107,692)		
\$13,049	(\$107,692)		
(\$5,280)	\$276,682		
353,636	1,436,299		
\$348,356	\$1,712,981		

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$35,884</u>
<u>TOTAL ASSETS</u>	<u>\$35,884</u>
 <u>LIABILITIES</u>	
Due to Student Groups	<u>\$35,884</u>
<u>TOTAL LIABILITIES</u>	<u>\$35,884</u>

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanilac Intermediate School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District's overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Education Fund – The special education fund is used to account for financial resources to be used specifically for providing special education services to students within the School District.

Vocational Education Fund - The vocational education fund is used to account for financial resources to be used specifically for providing vocational education services to students within the School District.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: Bank One and Tri-County Bank. The Board also authorized the business office to invest funds with financial institutions that gave the maximum interest rate of return upon receipt of quotes.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$1,627,515 and the bank balance was \$1,868,623. \$349,308 of the bank balance was covered by federal depository insurance and \$1,519,316 was uninsured and uncollateralized.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

The District had no investments at June 30, 2004.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 337,507
Federal Grants	177,400
Other Grant Programs & Fees	<u>12,679</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 527,586</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004 the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$865,000 at 1.25% interest per annum on August 1, 2003, from the Tri-County Bank on a Property Tax Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The notes were repaid on April 1, 2004.

General Fund	\$ 115,000
Career Technical Preparation Fund	<u>750,000</u>
<u>TOTAL</u>	<u>\$ 865,000</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$5,998,046	\$5,000	\$273,847	\$5,729,199
Land Improvements	79,401	0	0	79,401
Equipment and Furniture	993,673	55,002	0	1,048,675
Vehicles	283,633	97,990	0	381,623
Totals at Historical Cost	<u>\$7,354,753</u>	<u>\$157,992</u>	<u>\$273,847</u>	<u>\$7,238,898</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(2,091,555)	(128,764)	(146,052)	(2,074,267)
Land Improvements	(5,847)	(863)	0	(6,710)
Equipment and Furniture	(826,445)	(122,759)	0	(949,204)
Vehicles	(257,217)	(26,416)	0	(283,633)
Total Accumulated Depreciation	<u>(\$3,181,064)</u>	<u>(\$278,802)</u>	<u>(\$146,052)</u>	<u>(\$3,313,814)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$4,173,689</u>	<u>(\$120,810)</u>	<u>\$127,795</u>	<u>\$3,925,084</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 127,087
Support Services	32,032
Unallocated	<u>119,683</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 278,802</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, and vehicle insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$45,099 and the School District received a dividend refund of \$9,708.

11) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Sanilac Intermediate School District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$347,037 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$221,711. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

B) 2001 General Obligation School Building and Site Bonds

The bonds were issued February 20, 2001 in the amount of \$1,655,000, for the purpose of erecting, furnishing and equipping a special education classroom addition to be located at Maple Valley Elementary School in Sandusky. The bonds mature serially through May 1, 2011, at varying principal amounts. Interest rates on the bonds range from 3.7% to 4.0% per annum. The balance of the bonds at June 30, 2004, was \$1,255,000.

C) 2001 School Building and Site Bonds (General Obligation – Limited Tax) Qualified Zone Academy Bonds

Sanilac Intermediate School District issued 2001 School Building and Site Bonds dated July 12, 2001, in the amount of \$673,450 at 100% of par and accrued interest to the date of delivery, maturing on July 12 of each year. The balance as of June 30, 2004 was \$569,844.

D) Contracts Payable

Contracts payable consisted of the following at June 30, 2004:

3.5% note to Tri-County Bank, \$388 payments monthly, including interest, collateralized by Dodge pickup, matures July 1, 2010.	\$ 25,106
2.45% note to Tri-County Bank, \$15,523 payments annually, plus interest, collateralized by 1 bus, matures June 25, 2008.	<u>58,418</u>
<u>TOTAL</u>	<u>\$ 83,524</u>

E) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2004 are as follows:

	BONDS PAYABLE	CONTRACTS PAYABLE	INTEREST	TOTAL
June 30, 2005	\$201,803	\$17,581	\$52,021	\$271,405
June 30, 2006	228,601	18,380	53,406	300,387
June 30, 2007	239,397	18,880	45,867	304,144
June 30, 2008	250,239	19,392	37,718	307,349
June 30, 2009	323,793	4,397	57,068	385,258
June 30, 2010-2014	750,908	4,894	35,084	790,886
June 30, 2015-2019	<u>51,814</u>	<u>0</u>	<u>0</u>	<u>51,814</u>
<u>TOTAL</u>	<u>\$2,046,555</u>	<u>\$83,524</u>	<u>\$281,165</u>	<u>\$2,411,244</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$56,454.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

F) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	<u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>JUNE 30, 2004</u>	<u>IN ONE YEAR</u>
General Obligation & Durant Bonds	\$2,243,358	\$0	\$196,803	\$2,046,555	\$201,803
Contracts Payable	0	97,990	14,466	83,524	17,581
Unpaid Sick & Vacation Payable	56,033	0	2,982	53,051	0
<u>Total Governmental Activities</u>	<u>\$2,299,391</u>	<u>\$97,990</u>	<u>\$214,251</u>	<u>\$2,183,130</u>	<u>\$219,384</u>

12) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS FROM			
TRANSFERS TO		SPECIAL	VOCATIONAL
		EDUCATION	EDUCATION
			TOTAL
	General Fund	\$127,613	\$45,983
	QZAB Capital Projects	4,000	9,049
	<u>TOTAL</u>	<u>\$131,613</u>	<u>\$55,032</u>
			<u>\$186,645</u>

The transfers are reimbursements to the general fund from special education and vocational education funds for overhead costs that are calculated annually and approved by the board. The special education and vocational education funds also reimburse the QZAB capital projects fund for capital projects.

13) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

13) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$525,739, \$526,925 and \$477,834, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

14) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

15) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2004, has been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

REQUIRED
SUPPLEMENTARY
INFORMATION

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$296,749	\$270,359	\$266,307	(\$4,052)
State Sources	670,574	719,551	721,361	1,810
Federal Sources	21,052	42,362	42,362	0
Total Revenues	<u>\$988,375</u>	<u>\$1,032,272</u>	<u>\$1,030,030</u>	<u>(\$2,242)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	193,786	175,577	175,187	390
Instructional Support	636,122	400,434	388,033	12,401
General Administration	423,278	409,218	406,930	2,288
Business Administration	15,829	1,604	1,682	(78)
Operation & Maintenance of Plant	7,830	9,404	9,203	201
Support Services - Other	178,366	360,336	310,319	50,017
Community Services	25,251	240,891	240,545	346
Total Expenditures	<u>\$1,480,462</u>	<u>\$1,597,464</u>	<u>\$1,531,899</u>	<u>\$65,565</u>
Excess of Revenues Over Expenditures	<u>(\$492,087)</u>	<u>(\$565,192)</u>	<u>(\$501,869)</u>	<u>\$63,323</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>376,883</u>	<u>503,592</u>	<u>571,173</u>	<u>67,581</u>
Net Change in Fund Balance	<u>(\$115,204)</u>	<u>(\$61,600)</u>	<u>\$69,304</u>	<u>\$130,904</u>
<u>FUND BALANCE - BEGINNING</u>			<u>211,653</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$280,957</u>	

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$953,406	\$1,120,916	\$1,119,240	(\$1,676)
State Sources	1,206,435	844,692	813,986	(30,706)
Federal Sources	1,409,554	1,705,155	1,717,680	12,525
Total Revenues	<u>\$3,569,395</u>	<u>\$3,670,763</u>	<u>\$3,650,906</u>	<u>(\$19,857)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	1,096,253	1,118,369	1,119,629	(1,260)
Student Services	763,224	690,277	682,397	7,880
Instructional Support	347,443	703,796	698,409	5,387
General Administration	38,187	5,800	5,480	320
School Administration	116,597	156,296	155,966	330
Business Administration	5,625	800	1,846	(1,046)
Operation & Maintenance of Plant	154,250	96,500	86,793	9,707
Transportation	347,740	284,848	278,387	6,461
Support Services - Other	489,355	2,089	2,517	(428)
Community Services	31,100	21,846	25,214	(3,368)
Total Expenditures	<u>\$3,389,774</u>	<u>\$3,080,621</u>	<u>\$3,056,638</u>	<u>\$23,983</u>
Excess of Revenues Over Expenditures	\$179,621	\$590,142	\$594,268	\$4,126
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(144,200)</u>	<u>(690,028)</u>	<u>(683,768)</u>	<u>6,260</u>
Net Change in Fund Balance	\$35,421	(\$99,886)	(\$89,500)	\$10,386
<u>FUND BALANCE - BEGINNING</u>			<u>567,786</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$478,286</u>	

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
VOCATIONAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$2,439,031	\$2,252,573	\$2,216,188	(\$36,385)
State Sources	318,311	362,289	358,959	(3,330)
Federal Sources	464,752	689,973	679,782	(10,191)
Total Revenues	<u>\$3,222,094</u>	<u>\$3,304,835</u>	<u>\$3,254,929</u>	<u>(\$49,906)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	1,614,346	1,740,965	1,671,408	69,557
Student Services	28,784	55,310	68,217	(12,907)
Instructional Support	46,249	91,745	93,076	(1,331)
General Administration	0	2,500	2,266	234
School Administration	661,055	533,655	533,124	531
Business Administration	14,176	8,004	8,004	0
Operation & Maintenance of Plant	411,661	392,356	380,093	12,263
Support Services - Other	463,252	27,179	28,192	(1,013)
Community Services	162,114	161,114	160,245	869
Total Expenditures	<u>\$3,401,637</u>	<u>\$3,012,828</u>	<u>\$2,944,625</u>	<u>\$68,203</u>
Excess of Revenues Over Expenditures	<u>(\$179,543)</u>	<u>\$292,007</u>	<u>\$310,304</u>	<u>\$18,297</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>139,025</u>	<u>(205,542)</u>	<u>(8,146)</u>	<u>197,396</u>
Net Change in Fund Balance	<u>(\$40,518)</u>	<u>\$86,465</u>	<u>\$302,158</u>	<u>\$215,693</u>
<u>FUND BALANCE - BEGINNING</u>			<u>303,224</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$605,382</u>	

OTHER SUPPLEMENTAL
INFORMATION

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	2001 Debt Retirement	QZAB Capital Projects	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$106,330	\$240,033	\$346,363
Interest Receivable	0	2,202	2,202
<u>TOTAL ASSETS</u>	<u>\$106,330</u>	<u>\$242,235</u>	<u>\$348,565</u>
<u>LIABILITIES</u>			
Accounts Payable	\$209	\$0	\$209
<u>FUND BALANCES</u>			
Reserved for Debt Retirement	106,121	0	106,121
Reserved for Capital Projects	0	242,235	242,235
Total Fund Balances	<u>\$106,121</u>	<u>\$242,235</u>	<u>\$348,356</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$106,330</u>	<u>\$242,235</u>	<u>\$348,565</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	2001 Debt Retirement	QZAB Capital Projects	Total
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	\$223,480	\$0	\$223,480
Taxes Other than Property	268	0	268
Earnings on Investments and Deposits	1,382	12,046	13,428
Total Local Sources	<u>\$225,130</u>	<u>\$12,046</u>	<u>\$237,176</u>
<u>State Sources</u>	<u>185</u>	<u>0</u>	<u>185</u>
Total Revenues	<u>\$225,315</u>	<u>\$12,046</u>	<u>\$237,361</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Funds	<u>0</u>	<u>13,049</u>	<u>13,049</u>
Total Revenues and Other Financing Sources	<u>\$225,315</u>	<u>\$25,095</u>	<u>\$250,410</u>
<u>EXPENDITURES</u>			
<u>Debt Retirement</u>			
Redemption of Bond Principal	145,000	0	145,000
Interest on Bonded Debt	55,397	0	55,397
Dues and Fees	275	0	275
Taxes Abated	199	0	199
<u>Capital Projects</u>			
Renovations	0	3,016	3,016
Principal Payment	0	51,803	51,803
Total Expenditures	<u>\$200,871</u>	<u>\$54,819</u>	<u>\$255,690</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$24,444</u>	<u>(\$29,724)</u>	<u>(\$5,280)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$81,677</u>	<u>\$271,959</u>	<u>\$353,636</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$106,121</u>	<u>\$242,235</u>	<u>\$348,356</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$241,536	\$236,966	(\$4,570)
Non-Property Taxes	250	294	44
Earnings on Investments and Deposits	2,425	2,380	(45)
Other Local Revenues	26,148	26,667	519
Total Revenues from Local Sources	<u>\$270,359</u>	<u>\$266,307</u>	<u>(\$4,052)</u>
<u>State Sources</u>			
State Aid - Sec. 81	172,142	172,003	(139)
Gifted and Talented - Sec. 57.1	14	12	(2)
Math and Science Challenge Grant - Sec. 99.1	64,810	64,757	(53)
ISD Gifted and Talented	1,132	906	(226)
ISD Technical Assistance	125,354	125,251	(103)
Renaissance Zone	0	152	152
Retirement	222,103	225,581	3,478
Durant	34,704	34,704	0
Social Security Employer Share	99,292	97,995	(1,297)
Total Revenues from State Sources	<u>\$719,551</u>	<u>\$721,361</u>	<u>\$1,810</u>
<u>Federal Sources</u>			
Improving Teacher Quality	409	409	0
Title V	919	919	0
Eisenhower Consortium	10,590	10,590	0
Adult Education	16,000	16,000	0
Rural Education Achievement Program	14,444	14,444	0
Total Revenues from Federal Sources	<u>\$42,362</u>	<u>\$42,362</u>	<u>\$0</u>
Total Revenues	<u>\$1,032,272</u>	<u>\$1,030,030</u>	<u>(\$2,242)</u>
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Funds	173,596	173,596	0
Insurance Reimbursements	181,138	271,876	90,738
Transfers from Other Governmental Units	336,294	316,112	(20,182)
Total Other Financing Sources	<u>\$691,028</u>	<u>\$761,584</u>	<u>\$70,556</u>
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$1,723,300</u>	<u>\$1,791,614</u>	<u>\$68,314</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
<u>Basic Programs</u>			
Salaries - Professional	\$114,857	\$114,857	\$0
Salaries - Non-Professional	2,500	2,503	(3)
Insurances	26,902	26,831	71
Fica, Retirement, Etc.	20,794	20,702	92
Purchased Services	7,344	7,407	(63)
Supplies and Materials	3,180	2,887	293
<u>Total Instruction</u>	<u>\$175,577</u>	<u>\$175,187</u>	<u>\$390</u>
<u>SUPPORT SERVICES</u>			
<u>Instructional Staff</u>			
Salaries - Professional	151,472	142,424	9,048
Salaries - Non-Professional	48,740	48,740	0
Insurances	35,153	34,506	647
Fica, Retirement, Etc.	50,479	50,360	119
Other Benefits	420	420	0
Purchased Services	71,183	68,920	2,263
Supplies and Materials	25,676	25,352	324
Capital Outlay	2,000	2,000	0
Other	15,311	15,311	0
Total Instructional Staff	<u>\$400,434</u>	<u>\$388,033</u>	<u>\$12,401</u>
<u>General Administration</u>			
Salaries - Professional	116,891	116,989	(98)
Salaries - Non-Professional	125,869	125,968	(99)
Insurances	59,443	58,111	1,332
Fica, Retirement, Etc.	56,016	56,259	(243)
Other Benefits	1,830.00	1,830	0
Purchased Services	37,144	36,265	879
Supplies and Materials	4,450	4,006	444
Other	7,575	7,502	73
Total General Administration	<u>\$409,218</u>	<u>\$406,930</u>	<u>\$2,288</u>
<u>Business Administration</u>			
Purchased Services	425	505	(80)
Other	1,179	1,177	2
Total Business Administration	<u>\$1,604</u>	<u>\$1,682</u>	<u>(\$78)</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>Operation and Maintenance</u>			
Purchased Services	\$5,904	\$5,703	\$201
Capital Outlay	3,500	3,500	0
Total Operation and Maintenance	\$9,404	\$9,203	\$201
<u>Other Support Services</u>			
Salaries - Professional	83,447	83,447	0
Salaries - Non-Professional	38,520	38,520	0
Insurances	26,314	26,314	0
Fica, Retirement, Etc.	24,824	24,834	(10)
Purchased Services	117,398	69,138	48,260
Supplies and Materials	5,929	5,589	340
Capital Outlay	52,750	51,354	1,396
Other	11,154	11,123	31
Total Other Support Services	\$360,336	\$310,319	\$50,017
<u>Total Support Services</u>	\$1,180,996	\$1,116,167	\$64,829
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	124,811	124,811	0
Salaries - Non-Professional	16,285	16,281	4
Insurances	46,758	46,758	0
Fica, Retirement, Etc.	28,086	28,071	15
Other Benefits	0	500	(500)
Purchased Services	18,726	17,899	827
Supplies and Materials	6,225	6,225	0
Total Community Services	\$240,891	\$240,545	\$346
<u>Total Expenditures</u>	\$1,597,464	\$1,531,899	\$65,565
<u>OTHER FINANCING USES</u>			
Transfers to Other Districts	11,936	11,864	72
Transfers to Other Governmental Units	175,500	178,547	(3,047)
Total Other Financing Uses	\$187,436	\$190,411	(\$2,975)
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	\$1,784,900	\$1,722,310	\$62,590

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SPECIAL EDUCATION FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$869,577	\$853,464	(\$16,113)
Non-Property Taxes	855	1,059	204
Earnings on Investments and Deposits	6,400	7,215	815
Medicaid	212,000	225,479	13,479
Other Local Revenues	32,084	32,023	(61)
Total Revenues from Local Sources	\$1,120,916	\$1,119,240	(\$1,676)
<u>State Sources</u>			
Special Education - Sec 51 a	688,048	690,964	2,916
Court/State Agency Placed	0	(28,265)	(28,265)
Special Ed Allowance Sec. 56	45,264	45,264	0
School for Deaf/Blind - Sec. 54	13,106	17,413	4,307
Renaissance Zone	0	867	867
Retirement	22,902	19,223	(3,679)
Social Security Employer Share	75,372	68,520	(6,852)
Total Revenues from State Sources	\$844,692	\$813,986	(\$30,706)
<u>Federal Sources</u>			
I.D.E.A. Flowthrough	1,433,528	1,434,972	1,444
I.D.E.A. Preschool Incentive	55,907	55,907	0
State Initiated Grants	40,000	40,000	0
Transition Services	60,000	60,000	0
Capacity Building	21,487	21,487	0
Technology Materials and Training - ISD	2,153	2,153	0
Medicaid - Transportation	8,000	14,902	6,902
Early On	84,080	88,259	4,179
Total Revenues from Federal Sources	\$1,705,155	\$1,717,680	\$12,525
Total Revenues	\$3,670,763	\$3,650,906	(\$19,857)
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Governmental Units	219,851	219,850	(1)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$3,890,614</u>	<u>\$3,870,756</u>	<u>(\$19,858)</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
Salaries - Professional	\$459,641	\$459,289	\$352
Salaries - Non-Professional	246,835	249,845	(3,010)
Insurances	242,894	242,268	626
Fica, Retirement, Etc.	146,849	146,444	405
Other Benefits	3,840	3,840	0
Purchased Services	1,584	1,446	138
Supplies and Materials	16,726	16,497	229
<u>Total Instruction</u>	<u>\$1,118,369</u>	<u>\$1,119,629</u>	<u>(\$1,260)</u>
<u>SUPPORT SERVICES</u>			
<u>Student Services</u>			
Salaries - Professional	465,642	460,393	5,249
Insurances	103,207	103,205	2
Fica, Retirement, Etc.	96,322	95,218	1,104
Other Benefits	1,620	1,590	30
Purchased Services	15,728	14,609	1,119
Supplies and Materials	7,758	7,382	376
<u>Total Student Services</u>	<u>\$690,277</u>	<u>\$682,397</u>	<u>\$7,880</u>
<u>Instructional Support</u>			
Salaries - Professional	278,757	278,757	0
Salaries - Non-Professional	55,335	55,344	(9)
Insurances	74,608	75,449	(841)
Fica, Retirement, Etc.	69,174	68,344	830
Other Benefits	420	420	0
Purchased Services	207,638	204,838	2,800
Supplies and Materials	15,034	13,187	1,847
Capital Outlay	649	649	0
Other	2,181	1,421	760
<u>Total Instructional Support</u>	<u>\$703,796</u>	<u>\$698,409</u>	<u>\$5,387</u>
<u>General Administration</u>			
Purchased Services	5,800	5,480	320
<u>School Administration</u>			
Salaries - Professional	81,661	81,661	0
Salaries - Non-Professional	28,227	28,227	0
Insurances	19,077	19,075	2
Fica, Retirement, Etc.	22,361	22,372	(11)
Other Benefits	420	420	0
Purchased Services	1,750	1,758	(8)
Supplies and Materials	2,800	2,453	347
<u>Total School Administration</u>	<u>\$156,296</u>	<u>\$155,966</u>	<u>\$330</u>
<u>Business Administration</u>			
Other	800	1,846	(1,046)

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN

SPECIAL EDUCATION FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>SUPPORT SERVICES</u> (Continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Operation and Maintenance</u>			
Salaries - Non-Professional	\$13,537	\$13,537	\$0
Insurances	6,830	6,828	2
Fica, Retirement, Etc.	3,252	2,794	458
Purchased Services	45,281	41,654	3,627
Supplies and Materials	15,600	10,672	4,928
Capital Outlay	12,000	11,308	692
Total Operation and Maintenance	\$96,500	\$86,793	\$9,707
<u>Transportation</u>			
Salaries - Non-Professional	87,618	87,680	(62)
Insurances	60,082	59,850	232
Fica, Retirement, Etc.	19,000	18,563	437
Purchased Services	87,625	86,012	1,613
Supplies and Materials	14,000	10,936	3,064
Capital Outlay	15,523	14,466	1,057
Other	1,000	880	120
Total Transportation	\$284,848	\$278,387	\$6,461
<u>Other Support Services</u>			
Purchased Services	2,089	2,517	(428)
<u>Total Support Services</u>	\$1,940,406	\$1,911,795	\$28,611
<u>COMMUNITY SERVICES</u>			
Purchased Services	17,657	20,136	(2,479)
Supplies and Materials	4,189	5,078	(889)
Total Community Services	\$21,846	\$25,214	(\$3,368)
<u>Total Expenditures</u>	\$3,080,621	\$3,056,638	\$23,983
<u>OTHER FINANCING USES</u>			
Transfers to Other Districts	730,766	728,727	2,039
Transfer to Other Funds	127,613	131,613	(4,000)
Other Transfers	51,500	43,278	8,222
Total Other Financing Uses	\$909,879	\$903,618	\$6,261
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	\$3,990,500	\$3,960,256	\$30,244

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
VOCATIONAL EDUCATION FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$1,932,987	\$1,897,015	(\$35,972)
Taxes Other Than Property	1,825	2,354	529
Earnings on Investments and Deposits	8,625	8,791	166
Tuition	53,000	63,316	10,316
Program Sales	193,538	183,861	(9,677)
Other Local Revenues	62,598	60,851	(1,747)
Total Revenues from Local Sources	\$2,252,573	\$2,216,188	(\$36,385)
<u>State Sources</u>			
State Aid - Added Cost - Sec. 61a.1	185,564	180,439	(5,125)
State Aid - Voc. Ed Millage Equalization Sec. 62	149,768	149,644	(124)
State Aid - Voc. Ed Administration Sec. 61a.2	9,814	9,806	(8)
MI Works Staffing Grant	639	639	0
Renaissance Zone	0	1,927	1,927
JTPA - Special Projects	6,773	6,773	0
Career Prep Grant	9,731	9,731	0
Total Revenues from State Sources	\$362,289	\$358,959	(\$3,330)
<u>Federal Sources</u>			
Vocational Education Professional Development	463,252	440,168	(23,084)
MI Works Staffing Grant	226,721	238,616	11,895
Secondary Regional Allocation	0	998	998
Total Revenues from Federal Sources	\$689,973	\$679,782	(\$10,191)
Total Revenues	\$3,304,835	\$3,254,929	(\$49,906)
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Governmental Units	229,080	251,536	22,456
Other Transfers	140,106	342,098	201,992
Donated Items	2,676	2,676	0
Total Other Financing Sources	\$371,862	\$596,310	\$224,448
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$3,676,697</u>	<u>\$3,851,239</u>	<u>\$174,542</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
VOCATIONAL EDUCATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Instruction</u>			
Salaries - Professional	\$786,478	\$787,719	(\$1,241)
Salaries - Non-Professional	24,315	32,857	(8,542)
Insurances	188,179	191,903	(3,724)
Fica, Retirement, Etc.	179,843	182,079	(2,236)
Other Benefits	2,600	2,600	0
Purchased Services	125,364	105,802	19,562
Supplies and Materials	310,811	252,797	58,014
Capital Outlay	21,115	20,507	608
Other	6,168	3,045	3,123
Total Instruction	\$1,644,873	\$1,579,309	\$65,564
<u>Adult Continuing Education</u>			
Salaries - Professional	56,795	53,924	2,871
Insurances	13,049	13,049	0
Fica, Retirement, Etc.	11,867	11,274	593
Supplies and Materials	14,381	13,852	529
Total Adult Continuing Education	\$96,092	\$92,099	\$3,993
<u>Total Instruction</u>	\$1,740,965	\$1,671,408	\$69,557
<u>SUPPORT SERVICES</u>			
<u>Student Services</u>			
Salaries - Professional	12,704	15,482	(2,778)
Fica, Retirement, Etc.	2,621	2,814	(193)
Purchased Services	37,236	48,979	(11,743)
Supplies and Materials	2,350	672	1,678
Other	399	270	129
Total Student Services	\$55,310	\$68,217	(\$12,907)
<u>Instructional Staff</u>			
Salaries - Professional	63,673	63,673	0
Purchased Services	20,743	21,523	(780)
Supplies and Materials	7,329	7,880	(551)
Total Instructional Staff	\$91,745	\$93,076	(\$1,331)
<u>General Administration</u>			
Purchased Services	2,500	2,266	234
<u>School Administration</u>			
Salaries - Professional	177,469	179,468	(1,999)
Salaries - Non-Professional	133,547	133,747	(200)
Insurances	76,089	75,588	501
Fica, Retirement, Etc.	82,620	82,496	124
Other Benefits	4,253	4,853	(600)
Purchased Services	46,096	45,789	307
Supplies and Materials	7,188	6,661	527
Other	6,393	4,522	1,871
Total School Administration	\$533,655	\$533,124	\$531

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
VOCATIONAL EDUCATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>SUPPORT SERVICES</u> (Continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Business Administration</u>			
Other	\$8,004	\$8,004	\$0
<u>Operation and Maintenance of Plant</u>			
Salaries - Non-Professional	78,008	77,343	665
Insurances	35,988	35,338	650
Fica, Retirement, Etc.	16,101	15,964	137
Purchased Services	94,191	93,650	541
Supplies and Materials	140,612	130,862	9,750
Capital Outlay	27,456	26,936	520
Total Operation and Maintenance of Plant	\$392,356	\$380,093	\$12,263
<u>Other Support Services</u>			
Insurances	19,637	19,666	(29)
Fica, Retirement, Etc.	42	0	42
Purchased Services	5,126	6,839	(1,713)
Supplies and Materials	2,374	1,302	1,072
Capital Outlay	0	385	(385)
Total Other Support Services	\$27,179	\$28,192	(\$1,013)
<u>Total Support Services</u>	\$1,110,749	\$1,112,972	(\$2,223)
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	\$106,770	106,050	720
Insurances	\$29,499	29,499	0
Fica, Retirement, Etc.	\$22,445	22,296	149
Other Benefits	\$2,400	2,400	0
Total Community Services	\$161,114	\$160,245	\$869
<u>Total Expenditures</u>	\$3,012,828	\$2,944,625	\$68,203
<u>OTHER FINANCING USES</u>			
Other Transfers	115,000	160,277	(45,277)
Transfers to Other Funds	55,032	55,032	0
Transfers to Other Governmental Units	398,324	380,100	18,224
Payments on Loans	9,048	9,047	1
Total Other Financing Uses	\$577,404	\$604,456	(\$27,052)
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	\$3,590,232	\$3,549,081	\$41,151

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

	DUE TO (FROM) STUDENT ACTIVITIES AND OTHER ORGANIZATIONS JULY 1, 2003	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT ACTIVITIES AND OTHER ORGANIZATIONS JUNE 30, 2004
Vocational Education:				
Ast Car	(\$3,446)	\$8,395	\$6,100	(\$1,151)
Ast Fieldtrip	32	1,664	1,696	0
Auto Service Tools	228	1,395	1,395	228
Baja	984	2,585	2,305	1,264
Bank Int/Serv Charges	1,754	251	0	2,005
BPA	34	0	0	34
Coke/ASV	16,781	38,957	34,466	21,272
DECA	2,221	8,141	7,803	2,559
Electric Cars	14	733	497	250
FCCLA	1,282	7,146	7,341	1,087
FFA	(265)	29,920	29,228	427
Flower Fund	149	440	551	38
Food Tips	699	99	133	665
General Ed Flowthrough	975	2,387	1,524	1,838
HOSA	579	10,897	10,443	1,033
Hydroponic Produce	471	13	484	0
Miscellaneous	(1,143)	6,229	5,163	(77)
Peak	550	11,572	8,156	3,966
Preschool Expo Books	0	1,058	927	131
Safety Glasses	254	57	0	311
Science Symposium	4	0	0	4
<u>TOTAL AGENCY FUND</u>	<u>\$22,157</u>	<u>\$131,939</u>	<u>\$118,212</u>	<u>\$35,884</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$347,037

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL
<u>PAYMENT DATE - MAY 15TH</u>				
2005	\$0	4.761353%	\$0	\$0
2006	16,798	4.761353%	7,572	24,370
2007	17,594	4.761353%	6,772	24,366
2008	18,436	4.761353%	5,935	24,371
2009	81,990	4.761353%	33,013	115,003
2010	20,232	4.761353%	4,137	24,369
2011	21,196	4.761353%	3,174	24,370
2012	22,204	4.761353%	2,165	24,369
2013	23,261	4.761353%	1,108	24,369
<u>TOTAL</u>	<u>\$221,711</u>		<u>\$63,876</u>	<u>\$285,587</u>

2001 GENERAL OBLIGATION SCHOOL BUILDING & SITE BONDS

DATE OF ISSUE - February 20, 2001

Original amount of issue - \$1,655,000

DUE DATE	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST PAYABLE	TOTAL
11-01-04	\$0		\$24,908	\$24,908
05-01-05	150,000	3.900%	24,907	174,907
11-01-05	0		22,020	22,020
05-01-06	160,000	4.000%	22,020	182,020
11-01-06	0		18,900	18,900
05-01-07	170,000	4.000%	18,900	188,900
11-01-07	0		15,500	15,500
05-01-08	180,000	4.000%	15,500	195,500
11-01-08	0		11,900	11,900
05-01-09	190,000	4.000%	11,900	201,900
11-01-09	0		8,100	8,100
05-01-10	200,000	4.000%	8,100	208,100
11-01-10	0		4,100	4,100
05-01-11	205,000	4.000%	4,100	209,100
<u>TOTAL</u>	<u>\$1,255,000</u>		<u>\$210,855</u>	<u>\$1,465,855</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

DATE OF ISSUE - July 12, 2001

Original amount of issue - \$673,450

2001 SCHOOL BUILDING & SITE BONDS (GENERAL OBLIGATION - LIMITED TAX)

<u>PAYMENT DATE JULY 12</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2004	\$51,803	0.00%
2005	51,803	0.00%
2006	51,803	0.00%
2007	51,803	0.00%
2008	51,803	0.00%
2009	51,803	0.00%
2010	51,803	0.00%
2011	51,803	0.00%
2012	51,803	0.00%
2013	51,803	0.00%
2014	51,814	0.00%
<u>TOTAL</u>	<u>\$569,844</u>	

SANILAC INTERMEDIATE SCHOOL DISTRICT

SANDUSKY, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

CONTENTS

	<u>PAGE</u>
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	2 – 3
Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	4 – 6
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	7
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	8
Schedule of Findings and Questioned Costs for the year ended June 30, 2004	9 – 10
Status of Prior Year Findings	10
Schedule of Expenditures of Federal Awards Provided to Subrecipients for the year ended June 30, 2004	11



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 11, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Sanilac Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District, as of and for the year ended June 30, 2004, which collectively comprise the Sanilac Intermediate School District's basic financial statements and have issued our report thereon dated August 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sanilac Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Sanilac Intermediate School District, in a separate letter dated August 11, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Sanilac Intermediate School District, in a separate letter dated August 11, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 11, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Sanilac Intermediate School District

Compliance

We have audited the compliance of Sanilac Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Sanilac Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sanilac Intermediate School District's management. Our responsibility is to express an opinion on Sanilac Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sanilac Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sanilac Intermediate School District's compliance with those requirements.

In our opinion, Sanilac Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of Sanilac Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sanilac Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Sanilac Intermediate School District
Page 2
August 11, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>DIRECT PROGRAMS</u>			
Rural Education Achievement Program	84.358		
Small, Rural School Achievement (02-03)		S358A022275	\$16,755
Small, Rural School Achievement (02-03)		S358A032275	21,412
Total Rural Education Achievement Program			<u>\$38,167</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Adult Education - State Grant Program	84.002		
Basic Grant Programs			
ABE - Instruction (03-04)		041130-410474	16,000
Special Education - Grants to States	84.027		
IDEA Flowthrough (01-02) Carryover		020450-0203	39,273
IDEA Flowthrough (02-03)		030450-0203	772,270
IDEA Flowthrough (02-03) Carryover		030450-0203C	253,765
IDEA Flowthrough (03-04)		040450-0304	1,179,763
State Initiated - EOSD (03-04)		040480-EOSD	40,000
Capacity Building (03-04)		040490-CB	21,487
Capacity Building (02-03)		030490-CB	25,821
Transition Services (03-04)		040490-TS	60,000
Transition Services (02-03)		030490-TS	60,000
Total Special Education - Grants to States			<u>\$2,452,379</u>
Vocational Education - Basic Grants to States	84.048		
Secondary Regional Allocation (03-04)		043520-401211	440,168
Secondary Regional Allocation (02-03)		033520-9211	474,984
Total Vocational Education - Basic Grants to States			<u>\$915,152</u>
Special Education - Preschool Grants	84.173		
Preschool Incentive (03-04)		040460-0304	55,907
Preschool Incentive (02-03)		030460-0203	56,293
Total Special Education - Preschool Grants			<u>\$112,200</u>
Special Education - Grants for Infants and Families with Disabilities	84.181		
Formula Grant (03-04)		041340-190	79,850
Formula Grant (02-03) Carryover		031340-190C	38,092
Formula Grant (02-03)		031340-190	31,629
Total Special Education - Grants for Infants and Families with Disabilities			<u>\$149,571</u>
Innovative Education Program Strategies	84.298		
Title V (03-04)		030250-0304	919

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$14,444	\$0	\$14,444	\$0
0	0	0	0	0	0
\$0	\$0	\$14,444	\$0	\$14,444	\$0
0	0	16,000	0	16,000	0
473	39,273	0	0	473	0
14,269	0	1	0	14,270	0
0	0	253,765	0	253,765	0
0	0	1,181,206	0	1,081,000	100,206
0	0	40,000	0	40,000	0
0	0	21,487	0	21,487	0
13,321	25,821	0	0	13,321	0
0	0	60,000	0	56,000	4,000
8,000	60,000	0	0	8,000	0
\$36,063	\$125,094	\$1,556,459	\$0	\$1,488,316	\$104,206
0	0	440,168	0	430,000	10,168
184	474,984	0	0	184	0
\$184	\$474,984	\$440,168	\$0	\$430,184	\$10,168
0	0	55,907	0	48,000	7,907
393	56,293	0	0	393	0
\$393	\$56,293	\$55,907	\$0	\$48,393	\$7,907
0	0	50,167	0	51,500	(1,333)
0	0	38,092	0	38,092	0
(871)	31,629	0	0	(871)	0
(\$871)	\$31,629	\$88,259	\$0	\$88,721	(\$1,333)
0	0	919	0	919	0

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)			
Passed Through Michigan Department of Education (Continued):			
Improving Teacher Quality	84.367		
Title IIA (03-04)		030520-0304	409
Total Passed Through the Michigan Department of Education			<u>\$3,646,630</u>
Passed Through the Tuscola Intermediate School District:			
Special Education - Grants to States	84.027		
State Initiated		040480-EOSD	2,153
Vocational Education - Basic Grants to States	84.048		
Secondary Regional Allocation (03-04)		4012-11	998
Total Passed Through the Tuscola Intermediate School District			<u>\$3,151</u>
Passed Through Sanilac County LEA Consortium			
Eisenhower Formula (02-03)	84.281	Unknown	<u>28,116</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$3,716,064</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Thumb Area - Michigan Works			
State Administrative Matching Grants for Food Stamp Program	10.561	Unknown	192
<u>U.S. EMPLOYMENT & TRAINING ADMINISTRATION</u>			
Passed Through Thumb Area - Michigan Works:			
MI Works Staffing Grant			
Employment Service Wagner Peyser (03-04)	17.207		28,703
Employment Service Wagner Peyser (02-03)	17.207		57,335
Welfare-to-Work Grants to States and Localities	17.253		873
WIA Adult Program	17.258		20,556
WIA Youth Activities	17.259		53,042
WIA Dislocated Workers	17.260		13,801
Reed Act	Unknown	Unknown	57,816
2004 Career Pathways	17.259		38,759
2003 Career Pathways	17.259		24,875
2002 Career Pathways	17.259		<u>25,125</u>
<u>TOTAL U.S. EMPLOYMENT & TRAINING ADMINISTRATION</u>			<u>\$320,885</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
0	0	409	0	409	0
\$35,769	\$688,000	\$2,158,121	\$0	\$2,072,942	\$120,948
0	0	2,153	0	2,153	0
0	0	998	0	998	0
\$0	\$0	\$3,151	\$0	\$3,151	\$0
(10,347)	17,653	10,589	0	242	0
\$25,422	\$705,653	\$2,186,305	\$0	\$2,090,779	\$120,948
0	0	192	0	192	0
0	0	28,703	0	28,703	0
31,677	57,335	0	0	31,677	0
0	0	873	0	873	0
0	0	20,556	0	20,556	0
0	0	53,042	0	53,042	0
0	0	13,801	0	13,801	0
0	0	57,816	0	43,896	13,920
0	0	38,759	0	15,000	23,759
0	0	24,875	0	24,875	0
20,125	25,125	0	0	20,125	0
\$51,802	\$82,460	\$238,425	\$0	\$252,548	\$37,679

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Michigan Department of Community Health	93.778		
School Based Services - Transportation		N/A	<u>\$19,793</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$4,056,934</u></u>

<div> <div>ACCRUED</div> <div>(DEFERRED)</div> <div>REVENUE</div> <div>JULY 1, 2003</div> </div>	<div> <div>PRIOR</div> <div>YEAR</div> <div>EXPENDITURES</div> </div>	<div> <div>CURRENT</div> <div>YEAR</div> <div>EXPENDITURES</div> </div>	<div> <div>ADJUSTMENTS</div> <div>PRIOR</div> <div>YEARS</div> </div>	<div> <div>CURRENT</div> <div>YEAR CASH/</div> <div>PAYMENTS IN</div> <div>KIND RECEIVED</div> </div>	<div> <div>ACCRUED</div> <div>(DEFERRED)</div> <div>REVENUE</div> <div>JUNE 30, 2004</div> </div>
\$3,871	\$36,679	\$14,902	\$0	\$16,454	\$2,319
\$81,095	\$824,792	\$2,439,824	\$0	\$2,359,973	\$160,946

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$2,439,824</u>
<u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
General Fund	\$42,362
Special Education Fund	1,717,680
Vocational Education Fund	<u>679,782</u>
<u>TOTAL</u>	<u>\$2,439,824</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 8 of this report.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<hr/>		
Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$2,072,942
<u>Add:</u> Grants Passed Through Other Agencies:		
Direct Grants		
Rural Education Achievement Program (CFDA 84.358)		14,444
Passed Through the Tuscola Intermediate School District		
State Initiated - Competitive (CFDA 84.027)	\$2,153	
Vocational Education - Basic Grants to States (CFDA 84.048)	998	
Total Passed Through Tuscola Intermediate School District		3,151
Passed Through the Sanilac County LEA's		242
Passed Through Thumb Area - Michigan Works		
State Admin Matching Grants for Food Stamp Program (CFDA 10.561)	\$192	
Employment Service - Wagner Peyser (17.207)	60,380	
Welfare-to-Work Grants to States and Localities (CFDA 17.253)	873	
Reed Act (CFDA Unknown)	43,896	
WIA Adult Program (CFDA 17.258)	20,556	
WIA Youth Activities (CFDA 17.259)	113,042	
WIA Dislocated Workers (CFDA 17.260)	13,801	
Total Passed Through the Thumb Area Consortium		252,740
Passed Through Michigan Department of Community Health		
School Based Services - Transportation (CFDA 93.778)		16,454
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>		<u>\$2,359,973</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT- SANDUSKY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.027/84.173

Name of Federal Program or Cluster
Special Education Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Qualified as low-risk auditee?

☒ Yes ☐ No

SANILAC INTERMEDIATE SCHOOL DISTRICT- SANDUSKY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

2004-1) Special Education Cluster (CFDA #84.027/84.173)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PROGRAM TITLE/ SUBRECIPIENT	FEDERAL CFDA NUMBER	SUBRECIPIENT PROJECT NUMBER	SUBRECIPIENT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Special Education - Grants to States</u>	84.027		
<u>IDEA Flowthrough (02-03)</u>		030450-0203	
Brown City Community Schools			\$16,329
Carsonville - Port Sanilac Schools			8,930
Croswell-Lexington Community Schools			36,740
Deckerville Community Schools			9,058
Marlette Community Schools			24,621
Peck Community Schools			6,506
Sandusky Community Schools			19,391
Total IDEA Flowthrough (02-03)			<u>\$121,575</u>
<u>Special Education - Grants to States</u>	84.027		
<u>IDEA Flowthrough (02-03) Carryover</u>		030450-0203C	
Brown City Community Schools			43,050
Carsonville - Port Sanilac Schools			57,750
Croswell-Lexington Community Schools			103,950
Marlette Community Schools			72,100
Total IDEA Flowthrough (01-02)			<u>\$276,850</u>
<u>IDEA Flowthrough (03-04)</u>		030450-0203	
Brown City Community Schools			39,200
Carsonville - Port Sanilac Schools			61,600
Croswell-Lexington Community Schools			66,000
Deckerville Community Schools			90,850
Marlette Community Schools			82,400
Peck Community Schools			46,500
Sandusky Community Schools			114,000
Total IDEA Flowthrough (03-04)			<u>\$500,550</u>
<u>Vocational Education - Basic Grants to States</u>	84.048		
<u>Secondary Regional Allocation (02-03)</u>		033520-9211	
Huron Intermediate School District			71,248
Lapeer Intermediate School District			166,244
Tuscola Intermediate School District			137,745
Total Secondary Regional Allocation (02-03)			<u>\$375,237</u>
<u>Vocational Education - Basic Grants to States</u>	84.048		
<u>Secondary Regional Allocation (03-04)</u>		043520-401211	
Huron Intermediate School District			66,025
Lapeer Intermediate School District			154,059
Tuscola Intermediate School District			127,649
Total Secondary Regional Allocation (03-04)			<u>\$347,733</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u><u>\$1,621,945.00</u></u>

DUE TO (FROM) SUBRECIPIENTS JULY 1, 2003	SUBRECIPIENTS PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENTS	EXPENDITURES REPORTED BY SUBRECIPIENTS	DUE TO (FROM) SUBRECIPIENTS JUNE 30, 2004
\$0	\$16,329	\$0	\$0	\$0
8,930	8,930	8,930	0	0
36,740	36,740	36,740	0	0
0	9,058	0	0	0
5,522	24,621	5,522	0	0
0	6,506	0	0	0
0	19,391	0	0	0
<u>\$51,192</u>	<u>\$121,575</u>	<u>\$51,192</u>	<u>\$0</u>	<u>\$0</u>
0	0	43,050	43,050	0
0	0	57,750	57,750	0
0	0	72,617	103,950	31,333
0	0	72,100	72,100	0
<u>\$0</u>	<u>\$0</u>	<u>\$245,517</u>	<u>\$276,850</u>	<u>\$31,333</u>
0	0	39,200	39,200	0
0	0	30,800	30,800	0
0	0	0	66,000	66,000
0	0	55,491	55,491	0
0	0	82,400	82,400	0
0	0	46,500	46,500	0
0	0	114,000	114,000	0
<u>\$0</u>	<u>\$0</u>	<u>\$368,391</u>	<u>\$434,391</u>	<u>\$66,000</u>
71,248	71,248	71,248	0	0
18,366	166,244	18,366	0	0
38,456	137,745	38,456	0	0
<u>\$128,070</u>	<u>\$375,237</u>	<u>\$128,070</u>	<u>\$0</u>	<u>\$0</u>
0	0	66,025	66,025	0
0	0	154,059	154,059	0
0	0	114,694	127,649	12,955
<u>\$0</u>	<u>\$0</u>	<u>\$334,778</u>	<u>\$347,733</u>	<u>\$12,955</u>
<u>\$179,262.00</u>	<u>\$496,812.00</u>	<u>\$1,127,948.00</u>	<u>\$1,058,974.00</u>	<u>\$110,288.00</u>



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 11, 2004

To the Board of Education of
Sanilac Intermediate School District

In planning and performing our audit of the general purpose financial statements of Sanilac Intermediate School District for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Sanilac Intermediate School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items of immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Trust and Agency Accounts

At June 30, 2004, some of the Activity Accounts had deficit balances. Activity accounts are only permitted to expend the funds they have taken in. They are not allowed to borrow from other activities thus creating a deficit balance.

2. Time Certifications

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

3. Bidding Process

The District did not follow the bidding procedures mandated by MCL 380.1221 in the purchase of a pickup truck. District policies and procedures should be reviewed and/or followed to insure that competitive bids are received when required by the State law.

FUTURE ISSUES

1. Chart of Accounts

As you may be aware of, the Center for Educational Performance and Information (CEPI) has implemented a new upload application/database for financial reporting for districts. This new application/database is called the Financial Information Database (FID). For the fiscal year 2003 – 2004 you will be required to submit your financial data via the FID. The EDN/Form B submission process has been eliminated and is no longer available. The due date for the 2003 – 2004 FID submission is November 15, 2004.



Sanilac Intermediate School District

Page 2

August 11, 2004

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Sanilac Intermediate School District's Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS